

PREFACE

Indonesia is one of the most diversified country in the world which holds huge boundaries characterizing oceanic geography. It stretches over five thousand kilometers in east to west and four thousand kilometers in north and south under the tropical ocean, which bigness is frequently referred to the span of whole land area of Western Europe. In its huge territory, over ten thousand islands are scattered, such as from big Kalimantan, Sumatra islands to small rings of Lesser Sunda islands. Total population counts a hundred and eighty millions which ranks at 6th in the world. Furthermore, its diversities are significant, i.e. from the densely populated Java, which is characterized by intensively cultivated land and well developed industries; to the unpopulated Irian Jaya and Kalimantan in which the almost all of land is covered by untouched tropical jungles. In these circumstances, the local peoples are living in the quite deferent cultures and traditions by region, and they have developed their economies in the regional conditions historically.

Therefore, the "regional development" of Indonesia has special feature in its variety and`entity. It is possible to say that regions are not merely components of the national economy in Indonesia, but massive units holding more heterogeneous features which have been characterized by dual or multifarious structure. So it may not be an easy task to construct the unified national economy under these conditions. The county may easily fell into split if the conscious effort to unite the country has not been made seriously. In this context we can understand well the reason why Indonesia has adopted the principle of "Unity in Diversity" as the national motto. The economic development strategy have continuously faced these problems since independence.

During the last five REPELITAs (Five Year Development Plans), the government has made a vigorous effort to promote industrial basis throughout the country. However, these development efforts have not been able to create an balanced economic circumstances, or an equitable distribution of wealth and assets. Disparities of the regions, among urban and rural areas, among the various social groups, are still prevalent and they have raised many serious problems for the further advancement and development strategy of the country.

In these circumstances, the regional development policies should be taken as special objectives to construct the strong industrial basis. With this regard, it seems to be quite useful to evaluate again the role of local economy in the development and suggest the effective way for enhancing the strong regional

economy in the future under harmonious development. This book have purposed to take a trial effort to answer these questions.

The basic questions in our mind have been as follows :

1. How do we evaluate the reality of local provincial economies and their features, and how could we form effective strategy for regional economic development to create the balanced structure ?
2. How could we foster the feasible local industries by their own initiatives and consistent regional economic planning by the national government.
3. What are the necessary conditions for the development of local industries and promoting the regional economy including the physical infrastructure and business environment and so on?
4. How do we harmoniously conciliate the national development and local initiatives on the economic development ?

These points are effectively discussed in the following chapters.

That is:

Dr. M.Sadli discusses in the first chapter the spatial aspects of regional development in historical view. The author describes the primary reasons and implications in which present major manufacturing industries are exclusively concentrated in Java or some limited strategic locations in his analysis. He also briefly illustrates the regional development issues from the international perspectives under the global economic condition in recent years.

Second chapter by Dr. Iwan Jaya Azis prepares the deliberate analysis on the framework of development strategy which is required to initiate the balanced structure among local economies and national level of development. By the detailed data and reliable theory, the author tries to define the features of the regional economy and suggests the feasible development scenario. Among them, he covers the several problems like planning schemes of central and local government, financial basis of local development, investment activities, market conditions, government incentive measures and so on, especially in the outer regions of Java.

Next analysis concentrated on the land utilization scheme for the regional development and industrialization. The author, Mr. Lego Nirwhono, discusses the several issues concerning to the regional planning, such as environmental problems, effectiveness of land utilization, reservation of natural resource, amenity for the people and so on.

In the following chapter 4, the author, Drs. Suryo Sediono, wants to analyze the manpower problem as one of the issues for regional development strategy. The author intensively describes the current problems of mobilization of human resources, which is under the quite different conditions from region to region using a lot of data, such as demographic patters, education level, employment condition and so on. Through the analysis, the author concludes that the appropriate mobilization of capable human resource to the local level and providing business opportunity for them is definitely needed for the future industrialization, whereas both of them are still lack in Indonesia.

The chapter 5 is an analysis on the possible relations of natural resources and regional development from the technological point of view by Dr. Anwar Ibrahim. Indonesia is favorably endowed with abundant and various natural resources in many parts of areas. When we think about optimal development, we have to utilize these resources as much as possible on the certain technological alternatives. In the author's opinion, the important points of economic development for local area, where is significant in huge boundaries and varies like in Indonesia, are to give the appropriate combination of industries which is suit for the location and selection of technology for beneficial production and marketing.

Following review by Dr. Muhammadi is also the theoretical description concerning to the technological development in the local industry, especially in new frontier resources abundant area. The author asserts the application for certain technology to the potential industries with effective way are key issues even in the local area because the changing and advancement of technology is so dynamic in recent days.

Next chapter 7 covers the problems concerning to the physical facilities of infrastructure for the regional development as an indispensable factors for the regional development strategy, especially transportation and communication. In this chapter, Dr. Djunaedi and Dr. Susiyati attempt to suggest the favorable alternative policies to provide the necessary transportation and telecommunication facilities through evaluating the present conditions and future prospects. According to their observation, the investments of infrastructure have to be increase with

more vigorous scale, while they have inclined to concentrate much in Java and Sumatra and are still lack of the essential infrastructures in order to promote the local economic basis effectively. They also insist that necessary attention should be shared to remote areas with providing minimum standard in the social and political considerations. They also discuss several problems concerning to the capital fund to finance the construction of infrastructure and make a comment on the way promoting effective management through privatisation process and so on.

In the meantime, Drs. Bob Widayahartono discusses the development possibilities of Eastern Part of Indonesia in the next chapter. As the author indicates, we could not find any modern manufacturing industries except several resources base industries in the most of area in the so called IBT. These phenomena may be reasoned by the fact that the human development is still weak in the backward areas, beside of the lack of physical infrastructure. Then, he insists that effective management and improvement of manpower resources would be absolutely needed for the remote areas.

Following chapter 9 covers the problems of business activities concerning to the regional development. Mr. Igusa discusses the notable features of each provincial economy using several classification and tries to identify the appropriate development strategy for them. Especially, he analyses the investment opportunities which is initiated by private business circles. He also briefly introduces the Japanese experience on the regional development planning for the reference.

Last chapter 10 is a discussion on the financial institutions by Drs. Priasmoro Prawiroardjo, which take an important role in mobilizing fund into the regional development from both of government and private organizations.

As we have seen in these descriptions, this book has purposed to contribute to necessary discussions on the regional development problems, and to give conceptional alternatives for the regional development polices in Indonesia. With this respects, we hope this book could suggest the acceptable direction of measures for advancement of regional economy, and moreover, contribute in forming the effective development policy which could promote a favorable economic structure geographically and socially. Now Indonesia is beginning to step on the second stage of development after the 25 years continuous efforts since the New Order, and now preparing the further structural change and refreshment of the economy following other Asian countries which is experiencing the dynamic economic progress. In this mean, We hope this book could contribute to these consecutive efforts to some extent.

This book was originated by the results of joint research project between Institute for Economic Studies, Research & Development, Indonesian Chamber of Commerce and Industry (LP3E-KADIN Indonesia, Jakarta) and Institute of Developing Economies (Tokyo) in 1992. During the process of survey, a number of individuals and organizations have contributed in various way. we wish to express thanks to them, especially Ir. Sotion Ardjanggi of Chairman of Indonesian Chamber of Commerce, Ir. Ibunoe Soejono of General Secretary of Indonesian Chamber of Commerce, Dr. Sugijanto Soegijoko of Deputy of Bappenas, Drs. Hariri Hady of former Deputy of Bappenas, Drs. Ahmad Hamid and Dr. Thee Kian Wie of PEP-LIPI and so on. Without these persons' warm cooperation we could not succeed in achieving the fruitful results of the survey.

Finally we hope this study contribute some to the organization or persons who have been interest in the regional economy and its development in Indonesia.

(Editor)